LIVESTOCK SERVICES REVOLVING FUND

FINANCIAL STATEMENTS

For the Year Ended March 31, 2004

Provincial Auditor Saskatchewan

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AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Livestock Services Revolving Fund as at March 31, 2004 and the statements of operations and accumulated operating surplus, and changes in accumulated net expenditure/(recovery) for the year then ended. The Revolving Fund's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Revolving Fund as at March 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 7, 2004

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

LIVESTOCK SERVICES REVOLVING FUND
BALANCE SHEET
As at March 31

	2004	2003
ASSETS		
Current Assets:		
Accounts receivable (Note 11)	$ 354,776	$ 307,963
Accumulated net recovery (Statement 3)	---	246,276
Capital assets (Note 5)	---	7,360
	$ 354,776	$ 561,599
LIABILITIES AND FUND EQUITY		
Current Liabilities:		
Accounts payable and accrued liabilities	$ 217,016	$ 274,475
Unearned revenue	1,850	6,235
	218,866	280,710
Accumulated net expenditure (Statement 3)	63,703	---
Fund Equity:		
Accumulated operating surplus (Statement 2)	72,207	280,889
	$ 354,776	$ 561,599

(See accompanying notes to the financial statements)

LIVESTOCK SERVICES REVOLVING FUND
STATEMENT OF OPERATIONS AND ACCUMULATED OPERATING SURPLUS
For the Year Ended March 31

	Budget 2004 (Note 7)	Actual 2004	Actual 2003
REVENUES			
Livestock inspection fees	$ 2,598,141	$ 2,301,841	$ 2,820,696
Less: Commissions	(45,141)	(38,443)	(48,485)
Net inspection fees	2,553,000	2,263,398	2,772,211
Registered livestock brands	170,000	175,600	178,200
Livestock dealer licences	43,000	42,800	43,800
Administration fees	30,000	30,000	30,000
Loan guarantee inspection fees	10,000	---	39,149
Game farm inspection fees	60,000	22,423	26,469
Other revenue	1,000	724	1,310
Total revenues	2,867,000	2,534,945	3,091,139
EXPENSES			
Salaries and benefits	2,207,415	2,167,030	2,307,157
Travel	318,550	308,413	295,602
Stationery, advertising and printing	101,150	80,845	70,953
Telephone	73,750	64,656	66,908
Training and general consulting	10,350	27,000	61,161
Rental of office space and equipment	59,150	55,475	56,177
Bad debts (Note 11)	-	3,760	27,624
Other	18,100	12,614	13,129
Supplies and repairs	9,060	14,578	12,424
Amortization	23,000	1,980	4,580
Uniforms and dry cleaning	7,430	6,446	3,379
Computer supplies	2,740	830	1,084
Total expenses	2,830,695	2,743,627	2,920,178
Net (loss) income	$ 36,305	(208,682)	170,961
Accumulated operating surplus, beginning of year		280,889	109,928
Accumulated operating surplus, end of year (to Statement 1)		$ 72,207	$ 280,889

(See accompanying notes to the financial statements)

LIVESTOCK SERVICES REVOLVING FUND
STATEMENT OF CHANGES IN ACCUMULATED NET EXPENDITURE/(RECOVERY)
For the Year Ended March 31

	2004	2003
Financing required for (provided by) operating activities:		
Net loss (income) from operations	$ 208,682	$ (170,961)
Items not affecting working capital -amortization	(1,980)	(4,580)
Net increase in working capital items related to operations (Note 6)	108,657	12,665
	315,359	(162,876)
Financing required for (provided by) investing activities:		
Purchase of capital assets	---	1,633
Disposal of capital assets	---	(3,294)
	---	(1,661)
Net increase (decrease) in net financing requirements	315,359	(164,537)
Accumulated net expenditure (recovery) beginning of year	(246,276)	(81,739)
Transfer of capital assets (Note 5)	(5,380)	---
Accumulated net expenditure (recovery), end of year (to Statement 1)	$ 63,703	$ (246,276)

(See accompanying notes to the financial statements)

LIVESTOCK SERVICES REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
March 31, 2004

1. Authority and Definition

The Livestock Services Revolving Fund was established in 1996 pursuant to Section 17.1 of *The Department of Agriculture, Food and Rural Revitalization Act* (Act). The purpose of the Revolving Fund is to operate the brand registration program, the livestock inspection program and the livestock dealer licensing program. The Revolving Fund provides administrative services to the Cattle Marketing Deductions Fund and the Horned Cattle Fund pursuant to subsection 17.1(4)(d) of the *Act*.

2. Significant Accounting Policies

The financial statements are prepared in accordance with Canadian generally accepted accounting principles. These financial statements do not present a cash flow statement because the required cash flow information is readily apparent from the Statement of Changes in Accumulated Net Expenditure/(Recovery) and Note 6. The following accounting policies are considered significant.

a) Net Financing Requirements

The net financing requirements is the cash flow from/(to) the General Revenue Fund. It represents the total annual financing requirements resulting from net capital acquisitions, working capital changes, and net cash flows from operations.

b) Accumulated Net Expenditure (Recovery)

The accumulated net expenditure (recovery) of the Revolving Fund includes the following:

i) the net increase (decrease) in financing requirements for each fiscal year; and

ii) the book value of assets acquired or disposed of at no charge from/to another government agency.

c) Revenue

Inspection fees and commissions are recognized when the livestock are inspected prior to sale.

Registered livestock brands revenues are recognized when the brands are issued.

Livestock dealer licence revenues are recognized when the licences are issued.

Administration fees are recognized as revenue when the services have been provided.

Loan guarantee and game farm inspection fees are recognized when the services outlined in the agreements between the Revolving Fund and the Department of Agriculture, Food and Rural Revitalization are provided.

d) Capital Assets and Amortization

Capital assets are recorded at cost net of accumulated amortization. The cost and related accumulated amortization of items retired or disposed of are removed from the records and any gains or losses are included in the Statement of Operations and Accumulated Operating Surplus.

Amortization of capital assets is charged to operations using the straight line method at the following rates:

Office furniture	10%
Computer software	33.3%
Office equipment	20%

Assets acquired or disposed of by the Revolving Fund during the year are amortized at 50% of the above rates for the year of acquisition and disposal.

3. Authorized Financing

Subsection 17.1(12) of *The Department of Agriculture, Food and Rural Revitalization Act* provides for a maximum accumulated net expenditure, which may at any time be outstanding, to be set by Order of the Lieutenant Governor in Council. Order in Council 536/1997 established the maximum accumulated net expenditure of the Revolving Fund at $3,000,000. On December 2, 2003, Order in Council 866/2003 reduced this amount to $1,500,000.

4. Accumulated Operating Surplus/Deficit

Treasury Board controls the operations of the Revolving Fund, in part by monitoring the amount of its accumulated operating surplus/deficit. If the amount falls above or below the limit specified by Treasury Board, management is responsible to present a plan to address the excess surplus/deficit for approval by Treasury Board. A plan may include, but is not limited to, payment of excess surpluses to, or requests for additional funding from, the General Revenue Fund. Treasury Board has specified the limit for the accumulated operating surplus/deficit as $1,000,000.

5. Capital Assets

	2004			2003
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Office furniture	$ ---	$ ---	$ ---	$ 6,527
Computer software	---	---	---	---
Office equipment	---	---	---	833
	$ ---	$ ---	$ ---	$ 7,360

In January 2004, Treasury Board approved the transfer of the Revolving Fund's capital assets to the Department of Agriculture, Food and Rural Revitalization (Department). This transfer occurred on March 31, 2004 at net book value. The assets' cost of $37,677 and accumulated amortization of $32,297 have been reduced to $nil and the accumulated net expenditure has been reduced by the net book value of $5,380. In the future, the Department will provide use of capital assets to the Revolving Fund.

6. Net Change in Working Capital Items Related to Operations

	2004	2003
Increase (decrease) in accounts receivable	$ 46,813	$ (43,455)
Decrease in accounts payable and accrued liabilities	57,459	57,345
Decrease (increase) in unearned revenue	4,385	(1,225)
	$ 108,657	$ 12,665

7. Budget

These amounts are included in the Department budget submitted to Treasury Board for approval. Treasury Board approves the Revolving Fund's budget annually.

8. Related Party Transactions

These financial statements include transactions with related parties. The Revolving Fund is related to all Saskatchewan Crown agencies such as departments, corporations, agencies, boards and commissions under common control of the Government of Saskatchewan. Also, the Revolving Fund is related to non-Crown enterprises that the Government jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at agreed upon rates and are settled on normal trade terms. The following table summarizes the routine related party transactions for the year:

	2004	2003
Financial statement category:		
Revenues	$ 52,423	$ 95,618
Expenses	215,112	218,395
Accounts payable and accrued liabilities	12,811	12,456
Accounts receivable	10,902	16,988

The Revolving Fund received use of certain office space and administration services from the Department without charge. In addition, the Revolving Fund pays Provincial Sales Tax to the Department of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of these purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

9. Amount Recorded in Public Accounts

The net (expenditure) recovery of the Revolving Fund reported in the Public Accounts is the net income (loss) of the Revolving Fund adjusted for the following differences in accounting policies and other adjustments between the Revolving Fund and the General Revenue Fund.

	2004	2003
Net (loss) income	$ (208,682)	$ 170,961
Decrease in net capital assets	7,360	6,241
Amounts not included in Public Accounts due to timing	104	(3,899)
Net (expenditure) recovery reported in the Public Accounts	$ (201,218)	$ 173,303

10. Financial Instruments

a) Significant terms and conditions

There are no significant terms and conditions related to financial instruments classified as current assets or current liabilities that affect the amount, timing, and certainty of future cash flows.

b) Credit risk

The Revolving Fund is exposed to credit risk from potential non-payment of accounts receivable. However, most of the receivables were collected shortly after year end.

c) Fair Value

Accounts receivable and accounts payable and accrued liabilities are non-interest bearing and are due or payable within the next year. Due to this short-term maturity, the carrying value of these financial instruments approximates fair value.

The fair value of the accumulated net expenditure/(recovery) has been omitted because it is not practicable to determine the fair value with sufficient reliability.

11. Accounts Receivable

Accounts receivable are recorded net of an allowance for bad debts. During the year, the Revolving Fund recorded an allowance and bad debt expense of $3,760 (2003 - $27,624) relating to amounts owing to the Revolving Fund from livestock dealers where collection is doubtful.

12. Comparative Figures

Certain of the 2003 figures have been reclassified to conform with the current year presentation.